



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 8/4/2003

GAIN Report #GT3016

## Guatemala

### Agricultural Situation

### Agricultural Policy and Rural Development

**2003**

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**Report Highlights:** The current government's agricultural policy has been based on a fertilizer distribution program directed to the small farmers in rural areas. For the forthcoming government the challenge will be to reduce poverty by providing food security, employment and development in rural areas.

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Guatemala [GT1], GT

The current government of President Alfonso Portillo and the FRG came into power without any serious proposals or an innovative government plan in order to generate economic activity, reduce poverty and provide for the overall development in the country. Agriculture has not been the exception, from the beginning of the government agricultural policies and approaches have varied from Minister to Minister (In four years there has been five Ministers). In essence, the agricultural policies implemented by the current government have been developed to support the President's populist approach.

The FRG government's agricultural policy has been based on a fertilizer distribution program directed to the small farmers in rural areas. In addition, they have had diversification proposals that to date have not been implemented. Also, they have had initiatives related to food security and malnutrition when pressured by the international community, but without any tangible results to this point. In summary, President Portillo's agricultural policy has been dormant and without any significant changes in rural development and reduction in poverty. In the last six month of the current government little will be done, and most of their efforts will be concentrated in trying to win the elections.

According to the experts, the political party in power will not win the November election. Many experts see a collotion government led by a new President. Others worry that the FRG will win and General Rios Montt will be president for the second time. For the forthcoming government the challenge will be to stimulate the rural economy by providing food security, employment and development in rural areas. Agriculture provides 75 percent of the jobs and 25 percent of the Guatemala's GDP. There are several alliances and parties running against the current political party in power. When it comes to agricultural policies and rural development the proposals are still vague, but there are a couple of political parties and alliances that articulate positions to generate stability, reactivate the economy and development in the country, there needs to be sustainability in agriculture and development in rural areas.

FAS/GT has reviewed some of the proposal from the different political organizations regarding agriculture. There are interesting differences and similarities among the proposals. In general the standard for an agricultural policy can be summarized as follows:

1. Market driven production. The concept of producing for better markets should be implemented by the government, private sector and NGO's. Generally, Guatemalan agriculture has been based in a production oriented matrix, there has been little or no attention to where, when and how agricultural products should be sold. In addition, there has been poor knowledge of the products that the market needs and as to which products Guatemala has a comparative advantage over their Central American neighbors.
2. Land tenure. Without clear rules, development and investment will be stalled. The lack of legal certainty regarding tenure and ownership of land have created invasions to property, social conflicts and investment recession. The new government needs to facilitate legal measures regarding tenure and property of land. In addition, the real problem regarding land tenure is not the necessity of land itself, but the lack of opportunities and the lack of employment.
3. Agricultural diversification. Rural opportunities and employment should be improved.

Agricultural diversification in both production and markets is seen as a way to raise income and stimulate a failing farm sector. In this case diversification does not mean the substitution of one crop for another, but to diversify into more profitable activities whether they are in the agricultural field or in other more profitable sectors.

4. Markets. The new government needs to be aware that with CAFTA new markets and market access for Guatemalan products is a priority. One of the main problems with Guatemalan agricultural production is that the markets are traditional and not interlinked. In addition, agricultural products should be up to world standards when it comes to food safety and quality. The new government needs to pay a great deal of attention to quality and food safety standards.

5. Financing. A major constraint for agricultural development in Guatemala is the lack of access to financial resources. Besides having high interest rates for agricultural projects when resources are available, most of the time financial institutions require guarantees that most of the farmers cannot provide. The new government will be challenged to develop financial tools and structures suitable for all farmers. Inexpensive microcredit is being considered as a part of a macroeconomic package.

Overall, in order to reactivate the agricultural sector and stimulate rural development, the existing policies and traditional practices need to be changed to a more proactive and aggressive policy that will stimulate, rescue and rehabilitate the Guatemalan economy.